

# Strategies for U.S. businesses in Europe

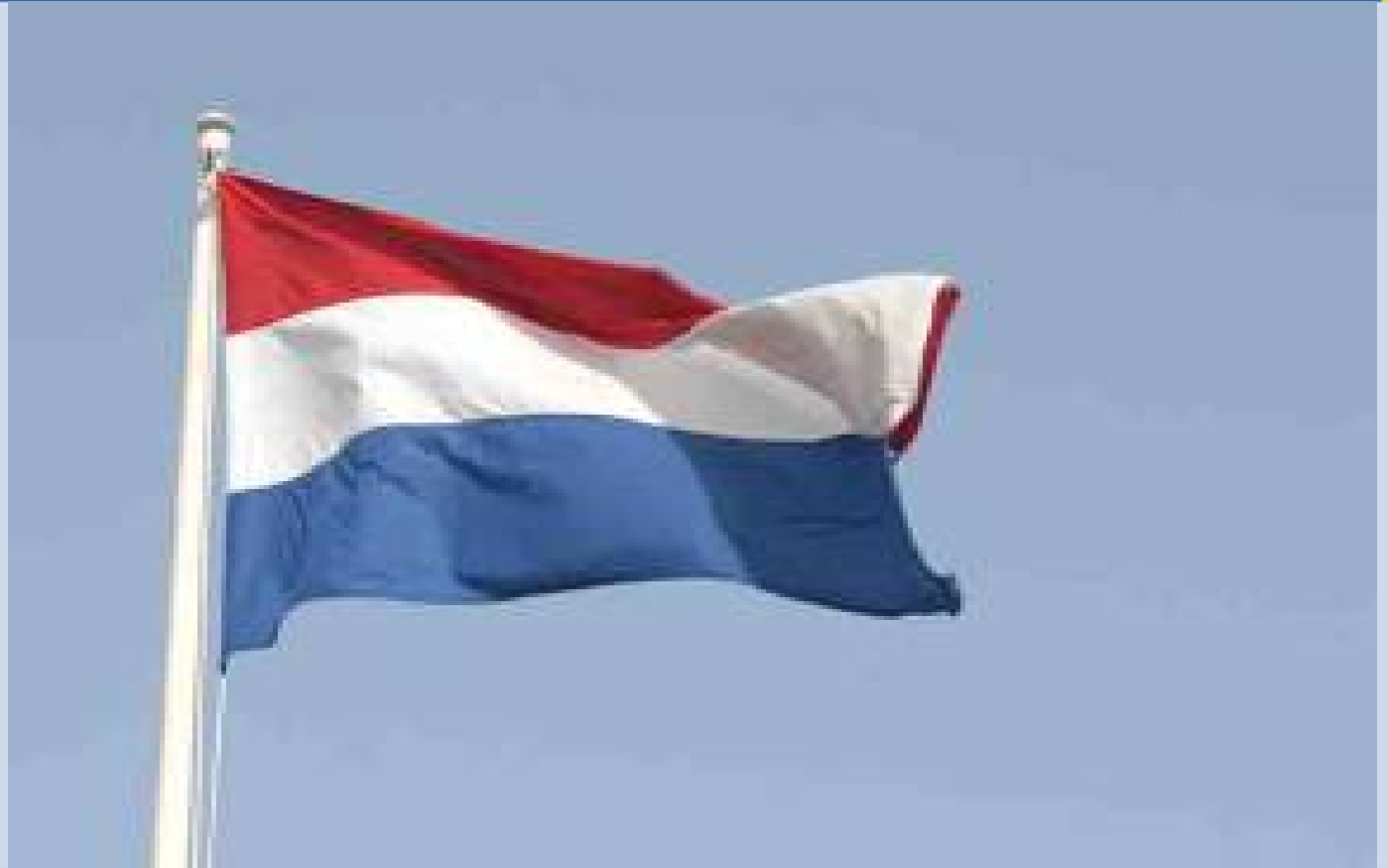
Aquatech Amsterdam,  
2 october 2008

Hans J.H. de Wilde AA

# Contents

- The Netherlands, a short introduction
  - Taxation in The Netherlands and Europe
  - Introduction Kab auditors and tax advisers

# The Netherlands, a short introduction



# Capital



# Queen Beatrix



# Prime Minister Jan Peter Balkenende



# Area

Total:  
41,526 km<sup>2</sup>  
(134th)

Water:  
18,41%





# Population

People:  
16,4 million



# GDP

2007 estimate

Total:  
\$ 769 billion

Per capita:  
\$ 38,500

Export:  
\$ 457 billion

Import:  
\$ 405 billion



# Small country, big companies

ING 



PHILIPS

Unilever



# Airport Schiphol



# Harbour of Rotterdam



# Delta works



# Birthplace of share trading



# Taxation contents

Why the Netherlands?

Transfer pricing and holding structures

APA's and ATR's

Participation exemption

Withholding taxes

Tax treaties

Related topics

Case



# Taxation

## Why the Netherlands?

- Low corporate income tax rate
- Participation exemption
- VAT > import
- 30% Expat ruling
- Ruling climate
- Tax treaties
- No withholding tax on interest and dividends

# Transfer-pricing

Challenge in international taxation:

- Transformation of multinational companies into globally integrated companies
- Main question: How to allocate the overall income to the various le's in different countries

# Transfer-pricing II

Example:

If a group decides to relocate production capacity to a cheaper country

- What are the consequences?
- Because of the different TP-regimes strong awareness is (remains) necessary to:
  - Address the diversity in designing the overall TP strategy

# APA's and ATR's I

- Advance Pricing Agreement
- Advance Tax Ruling

# APA's and ATR's II

## APA

- Agreement with Dutch tax authorities
- Advance certainty
- Fiscal acceptability of the “price” (i.e.: transfer pricing)
  - Granted for 4 to 5 years
  - Example: Cost-plus-ruling

# APA's and ATR's III

## ATR

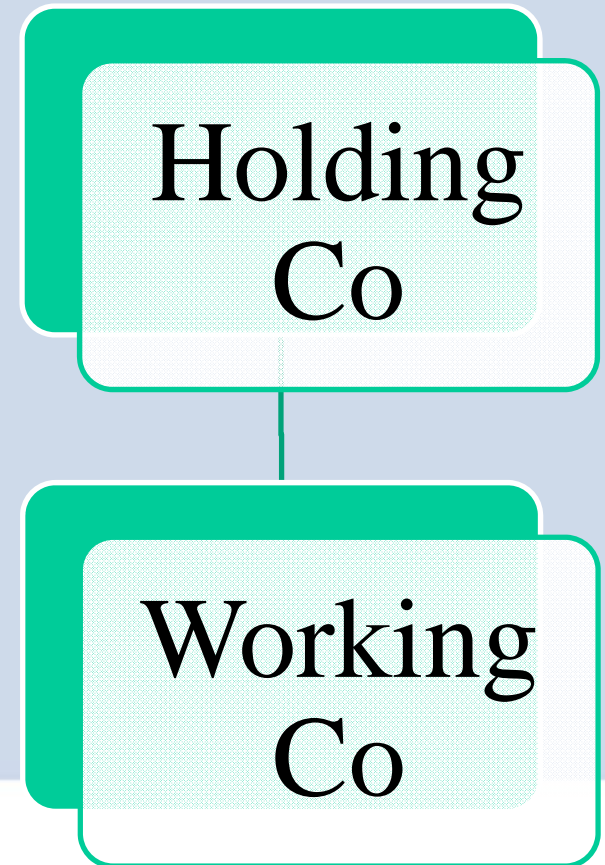
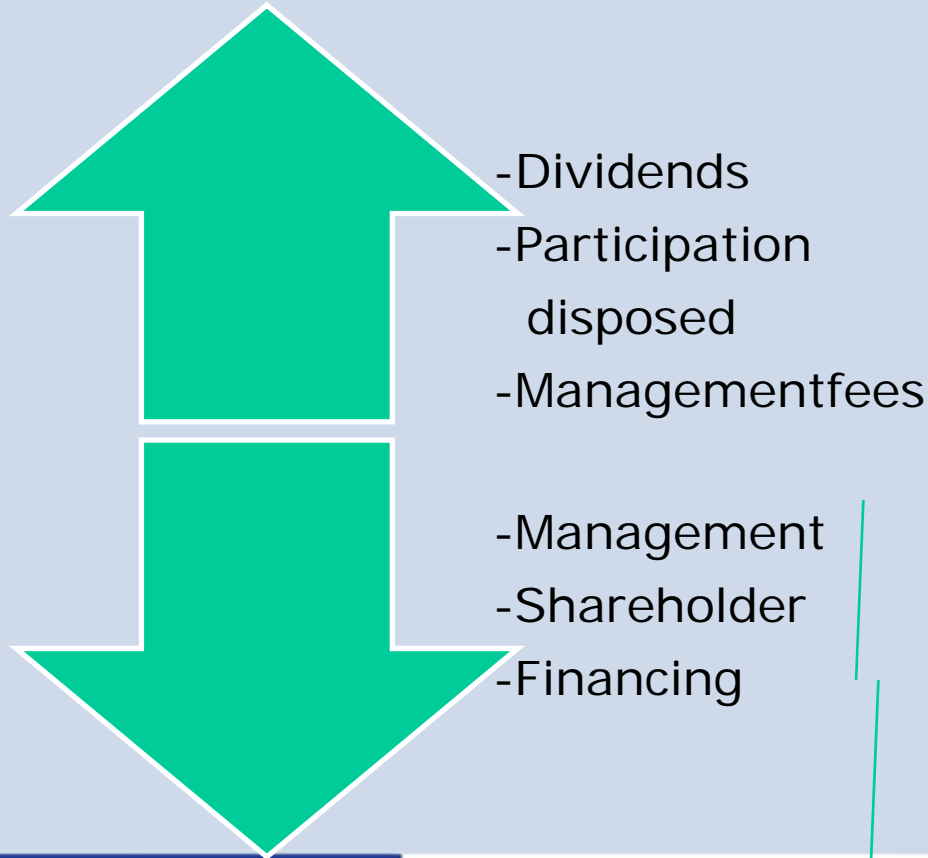
- Agreement with Dutch tax authorities
- On tax characterization
- Of international corporate structures (MNE's)
  - Granted for 4 years

# Participation Exemption I

Why holding structures?

- Flexibility
- Responsibility
- Tax purposes
- Cash savings purposes

# Participation Exemption II





# Participation Exemption III

## Flexibility:

- In ownership; continuity;
- In cash-management

## Responsibility

Against claims (“insurance policy”)

# Participation Exemption IV

- Tax purposes
  - Dividends and capital gains NOT subject to taxation.

# Tax Treaties

The Netherlands have a wide network of tax treaties, which are constantly updated.

- (79 countries)
- From Albania to Zimbabwe

# Related topics

- Salary-split
- 30% tax credit for expats
- Permanent establishments
- VAT-issues
- Corporate tax rates in NL

# Related topics II

## Salary split

- Employment in more than one country;
- Attractive for high salary levels

# Related topics III

## 30% credit for expats

### – Tax break for expats

- 30% of the gross income is considered to be cost allowance
- Commonly used by CEO's, CFO's, statutory directors, etc.

# Related topics IV

## VAT-advantages

- VAT-refund when goods are imported.

## Corporate tax rates in NL:

- 20% < € 250K
- 25,5% > € 250K

# CASE

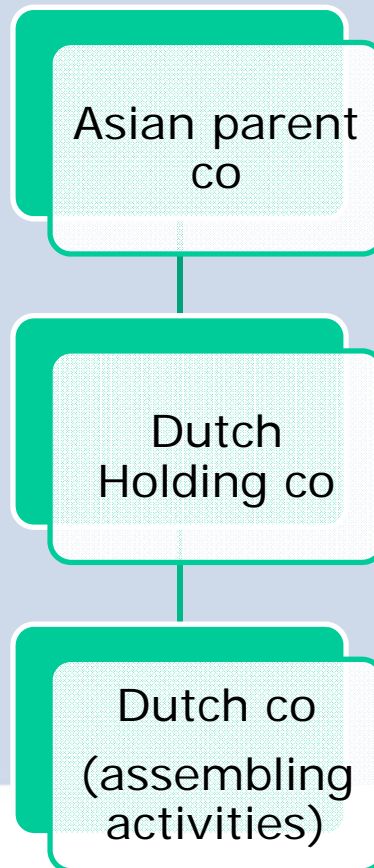
- Asian multinational (Automotive industry) wants to assemble cars in Europe
- Conditions:
  - Low tax burden
  - Continuity
  - Financing facilities
  - Economic conditions (distribution/low wages/highly skilled labour force, etc.)



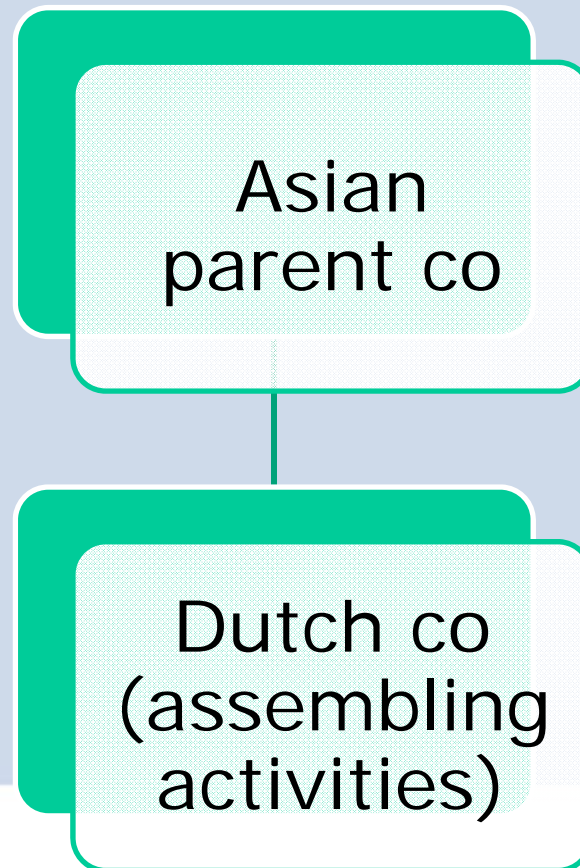
# CASE II

- Tax related considerations:
  - Holding structure
  - Tax treaties
  - Transfer pricing
  - Participation exemption

# CASE III



# CASE IV



# Introduction Kab



# Introduction Kab

- Kab
- Auditors & Tax Advisers
- Netherlands
- Middle sized audit and tax firm

# Figures

- 9 offices spread out over the Netherlands
- 12 partners
- 220 employees

# Services

- Legal audit
- Tax-advice
- Compilations of annual accounts
- P&O
- Accounting
- Corporate Finance
- Expats

# Kab International





# Kab International

- International network (member of Russell Bedford International)
- Proven experience with and knowledge of international business relations

[www.kabaccountants.nl](http://www.kabaccountants.nl)